

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Brown City	County Sanilac County
Fiscal Year End March 31, 2008	Opinion Date June 4, 2008	Date Audit Report Submitted to State June 4, 2008	

We affirm that:

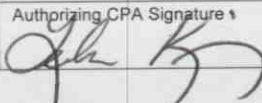
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Communication with Those Charged with Governance	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
Zip 48453			
Authorizing CPA Signature 		Printed Name Lehn L. King, C.P.A.	License Number A248781

City of Brown City

Sanilac County, Michigan

Audited Financial Report
March 31, 2008

Lehn L. King

Certified Public Accountant
Marlette, Michigan

City of Brown City
Annual Financial Report
For The Year Ended March 31, 2008

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To The Honorable Mayor and
Members of the City Council
City of Brown City
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of and for the year ended March 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brown City, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brown City, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

June 4, 2008

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS:

Our discussion and analysis of the City of Brown City's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

The adopted budget was developed around the goals established by the City Council, to include: Keeping stores filled on Main Street through continued economic development; Arsenic Abatement through construction of a new water treatment facility; repairs and enhancements to the sanitary and storm sewer system and lagoons; enhancing the efficiency of the DPW; and improving streets while providing cost effective service to the community. The City Council made some difficult decisions concerning the allocation of scarce financial resources, such as the type of arsenic abatement program needed to meet EPA/DEQ requirements and be best for the City's residents. The Well #3 Water Abatement Facility was constructed at a cost approaching \$700,000 and meets all EPA/DEQ requirements. Substantial investments were also made in the City's storm sewer system with the installation of significantly larger culverts under Vine Street, the railroad tracks north of Brown City Community Schools, and along the county drain carrying water to the north, and on West Main Street. The City also worked closely with the Sanilac County Drain Commissioner to clean that portion of the Sanilac-Lapeer County Drain that goes through the City. Community Promotion funds were used to support Brown City Homecoming, police/community relations, and child safety. Resources were also allocated to enforce the City's zoning, blight and junk car ordinances. The City of Brown City ended the 2007-2008 fiscal year in good financial condition.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments. Specifically included for the first time is noncurrent assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This additional information has been added to the City's financial statement in the belief that it will provide a more focused picture of the City's fiscal health.

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2008

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets. Comparative data is not available for assets and liabilities due to the change in accounting formats for the fiscal year ending March 31, 2008 (see note one in the notes to the financial statements).

	Governmental Activities		Business-Type Activities		Total	
	3/31/2008	3/31/2007	3/31/2008	3/31/2007	3/31/2008	3/31/2007
Current Assets	\$ 1,382,783	\$ 1,005,844	\$ 349,309	\$ 396,385	\$ 1,732,091	\$ 1,402,229
Noncurrent Assets	1,951,239	1,348,677	971,171	938,464	2,922,410	2,287,141
Total Assets	3,334,022	2,354,521	1,320,480	1,334,849	4,654,502	3,689,370
Current Liabilities	100,062	17,159	20,000	25,392	120,062	42,551
Noncurrent Liabilities	725,000	52,000	60,000	80,000	785,000	132,000
Total Liabilities	825,062	69,159	80,000	105,392	905,062	174,551
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	1,199,239	1,290,677	891,171	838,464	2,090,410	2,129,141
Restricted	6,710	6,488	-	-	6,710	6,488
Unrestricted	1,303,011	988,197	349,327	393,689	1,652,337	1,381,886
Total Net Assets	\$ 2,508,960	\$ 2,285,362	\$ 1,240,498	\$ 1,232,153	\$ 3,749,458	\$ 3,517,515

The City's combined net assets increased 6.6% from \$3,517,515 to \$3,749,458. As we look at the governmental activities separately from the business type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$223,598 during the year (a 9.8% increase). The business-type activities (water & sewer) experienced a \$8,345 increase in net assets. The assets of the City remained constant from one year to the next.

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2008

The following table shows the changes of the net assets during the current year:

	Governemntal Activities	Business-Type Acticities	Total 2007-2008
Revenues			
Program Revenues:			
Charges for Services	\$ 303,632	\$ 257,177	\$ 560,808
Operating Grants & Cont's	101,787	0	101,787
Capital Grants & Cont's	0	0	0
General Revenues:			
Property Taxes	450,782	0	450,782
State-Shared Revenues	156,367	0	156,367
Interest	62,372	14,342	76,714
Other Revenues	77,205	0	77,205
Transfers	14,514	(10,600)	3,914
Total Revenues	<u>1,166,659</u>	<u>260,919</u>	<u>1,427,577</u>
Program Expenses			
General Government	\$ 380,658	\$ 0	\$ 380,658
Public Safety	194,535	0	194,535
Public Works	310,393	0	310,393
Recreation & Culture	42,649	0	42,649
Interest on Long-Term Debt	14,826	3,350	18,176
Water & Sewer	0	249,224	249,224
Total Program Expenses	<u>943,061</u>	<u>252,574</u>	<u>1,195,635</u>
Change in Net Assets	<u><u>\$ 223,598</u></u>	<u><u>\$ 8,344</u></u>	<u><u>\$ 231,942</u></u>

Economic Factors and Next Year's Budget and Rates

The City Council's goals for the 2008-2009 budget include: Major street repairs; continuing the replacement and improvement of our sewer and water distribution systems; enhancing the efficiency of the wastewater treatment lagoons; and consistent emphasis on economic development of the City. Meeting these goals includes working with Sanilac County to raise the \$200,000 needed for completion of the Phased sanitary sewer repairs required by DEQ through the sale of a municipal bond. The project is expected to be completed by Fall 2008 and will meet our obligation to the EPA/DEQ and our residents. The budget also includes \$250,000 for the rebuilding of a portion of Lincoln, Maple and Welles Streets. Funding to support Brown City Days was increased to better support this festival and the community as a whole. Health care continues as a substantial fraction of the City budget and the City Council is working to reduce these costs while protecting the City's investment in our workforce. The City will continue to closely monitor overtime and capital and operational purchasing, and reduce spending wherever possible.

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2008

The City of Brown City's 2008/2009 adopted budget is as follows:

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>
	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>
Beginning Balance	\$ -	\$ -	\$ -
Revenue			
Property Taxes	447,800	150,000	-
Intergovernmental Revenue	156,380	77,040	29,200
Charges for Services	91,470	-	-
Grant Proceeds	-	-	-
Loan Proceeds	-	-	-
Other	141,140	2,650	114,200
Total Revenue Collected	<u>836,790</u>	<u>229,690</u>	<u>143,400</u>
Fund Available	<u>836,790</u>	<u>229,690</u>	<u>143,400</u>
Expenditures			
General Government	328,420	-	-
Public Safety - Police	172,900	-	-
Public Safety - Fire	32,600	-	-
Recreation and Culture	41,750	-	-
Public Works	125,220	229,690	143,400
Other Functions	56,500	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
Transfers	79,400	-	-
Total Expenditures	<u>836,790</u>	<u>229,690</u>	<u>143,400</u>
Net Over/Under Budget	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact City Hall, 4205 Main Street, Post Office Box 99, Brown City, Michigan 48416, or by telephone at (810) 346-2325, or fax at (810) 346-3802, or e-mail at browncty@greatlakes.net.

Respectfully,

Clinton K. Holmes
City Manager

City of Brown City
Statement of Net Assets (Deficit)
March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 93,465.12	\$ 1,902.08	\$ 95,367.20
Accounts Receivable	53,223.71	-	53,223.71
Due From Other Governmental Units	100,445.51	11,720.99	112,166.50
Due From Other Funds	1,135,648.57	335,703.43	1,471,352.00
Capital Assets			
Nondepreciable Capital Assets	139,971.00	25,856.74	165,827.74
Depreciable Capital Assets	<u>1,811,268.20</u>	<u>945,314.52</u>	<u>2,756,582.72</u>
 Total Assets	 3,334,022.11	 1,320,497.76	 4,654,519.87
<u>Liabilities</u>			
Accounts Payable	67,749.24	-	67,749.24
Due To Others	5,312.51	-	5,312.51
Current Portion of Long-Term Debt	27,000.00	20,000.00	47,000.00
Noncurrent Liabilities:			
Long-Term Debt	<u>725,000.00</u>	<u>60,000.00</u>	<u>785,000.00</u>
 <u>Total Liabilities</u>	 <u>825,061.75</u>	 <u>80,000.00</u>	 <u>905,061.75</u>
Net Assets (Deficit)			
Invested in Capital Assets - Net of Related Debt	1,199,239.20	891,171.26	2,090,410.46
Restricted for Cemetery Equipment	6,710.28	-	6,710.28
Unrestricted	<u>1,303,010.88</u>	<u>349,326.50</u>	<u>1,652,337.38</u>
 <u>Total Net Assets (Deficit)</u>	 <u>\$ 2,508,960.36</u>	 <u>\$ 1,240,497.76</u>	 <u>\$ 3,749,458.12</u>

The notes are an integral part of the statements.

City of Brown City
Statement of Activities
For the Year Ended March 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 380,658.49	\$ 216,197.95	\$ -	\$ -	\$ (164,460.54)	\$ -	\$ (164,460.54)
Public Safety	194,534.67	38,055.29	-	-	(156,479.38)	-	(156,479.38)
Public Works	310,392.59	48,228.61	101,787.33	-	(160,376.65)	-	(160,376.65)
Recreation & Culture	42,649.41	1,150.00	-	-	(41,499.41)	-	(41,499.41)
Interest on Long-Term Debt	14,825.55	-	-	-	(14,825.55)	-	(14,825.55)
<u>Total Governmental Activities</u>	943,060.71	303,631.85	101,787.33	-	(537,641.53)	-	(537,641.53)
Business-type Activities	249,224.26	257,176.68	-	-	-	7,952.42	7,952.42
Interest on Long-Term Debt	3,350.00	-	-	-	-	(3,350.00)	(3,350.00)
<u>Total Primary Government</u>	<u>\$ 1,195,634.97</u>	<u>\$ 560,808.53</u>	<u>\$ 101,787.33</u>	<u>\$ -</u>	<u>\$ (537,641.53)</u>	<u>\$ 4,602.42</u>	<u>\$ (533,039.11)</u>
General Revenues:							
Property Taxes					\$ 450,781.91	\$ -	\$ 450,781.91
State Shared Revenues					156,367.00	-	156,367.00
Interest Earnings					62,371.57	14,342.06	76,713.63
Other Revenues					77,205.07	-	77,205.07
Transfers					14,513.80	(10,600.00)	3,913.80
Total General Revenues, Special Items & Transfers					<u>761,239.35</u>	<u>3,742.06</u>	<u>764,981.41</u>
Change in Net Assets					223,597.82	8,344.48	231,942.30
Net Assets (Deficit) - Beginning of Year					<u>2,285,362.54</u>	<u>1,232,153.28</u>	<u>3,517,515.82</u>
Net Assets (Deficit) - End of Year					<u>\$ 2,508,960.36</u>	<u>\$ 1,240,497.76</u>	<u>\$ 3,749,458.12</u>

The notes are an integral part of the statements.

City of Brown City

Governmental Funds

Balance Sheet

March 31, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Arsenic Abatement Fund	Cemetery Operating Fund	Downtown Development Authority	Parks & Recreation Fund	Storm Sewer Fund	Total Governmental Funds
<u>Assets</u>									
Cash & Certificates of Deposit	\$ 22,722.01	\$ 219.32	\$ 57.57	\$ 235.74	\$ 47,201.48	\$ 18,943.33	\$ 3,775.99	\$ 145.94	\$ 93,301.38
Accounts Receivable	-	-	-	-	-	-	-	-	-
Property Taxes Receivable	49,662.88	-	-	-	-	-	3,560.83	-	53,223.71
Due From Others	2,713.87	-	-	97,731.64	-	-	-	-	100,445.51
Due From Other Funds	857,756.13	38,285.48	32,929.24	133,071.56	7,705.51	-	38,877.66	3,828.29	1,112,453.87
<u>Total Assets</u>	<u>\$ 932,854.89</u>	<u>\$ 38,504.80</u>	<u>\$ 32,986.81</u>	<u>\$ 231,038.94</u>	<u>\$ 54,906.99</u>	<u>\$ 18,943.33</u>	<u>\$ 46,214.48</u>	<u>\$ 3,974.23</u>	<u>\$ 1,359,424.47</u>
<u>Liabilities & Fund Equity</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 4,587.84	\$ -	\$ -	\$ 63,161.40	\$ -	\$ -	\$ -	\$ -	\$ 67,749.24
Due To Others	5,312.51	-	-	-	-	-	-	-	5,312.51
Due To Other Funds	-	-	-	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>9,900.35</u>	<u>-</u>	<u>-</u>	<u>63,161.40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,061.75</u>
<u>Fund Equity</u>									
Fund Balances									
- Designated for Police Car	2,172.69	-	-	-	-	-	-	-	2,172.69
- Designated for Unemployment Comp.	392.46	-	-	-	-	-	-	-	392.46
- Designated for Streets	93,928.86	-	-	-	-	-	-	-	93,928.86
- Designated for Cable Equipment	22,538.50	-	-	-	-	-	-	-	22,538.50
- Designated for County Rd Millage	266,068.74	-	-	-	-	-	-	-	266,068.74
- Designated for Sidewalks	8,548.15	-	-	-	-	-	-	-	8,548.15
- Designated for Cemetery Equipment	-	-	-	-	6,710.28	-	-	-	6,710.28
- Unreserved & Undesignated	529,305.14	38,504.80	32,986.81	167,877.54	48,196.71	18,943.33	46,214.48	3,974.23	886,003.04
<u>Total Fund Balances</u>	<u>922,954.54</u>	<u>38,504.80</u>	<u>32,986.81</u>	<u>167,877.54</u>	<u>54,906.99</u>	<u>18,943.33</u>	<u>46,214.48</u>	<u>3,974.23</u>	<u>1,286,362.72</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 932,854.89</u>	<u>\$ 38,504.80</u>	<u>\$ 32,986.81</u>	<u>\$ 231,038.94</u>	<u>\$ 54,906.99</u>	<u>\$ 18,943.33</u>	<u>\$ 46,214.48</u>	<u>\$ 3,974.23</u>	<u>\$ 1,359,424.47</u>

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2008

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 1,341,985.56
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,918,974.80
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(752,000.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,508,960.36</u></u>
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The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2008

	General	Major	Local	Arsenic	Cemetery	Downtown	Park &	Storm	Total
	Fund	Streets	Streets	Abatement	Operating	Development	Recreation	Sewer	Governmental
Revenues		Fund	Fund	Fund	Fund	Authority	Fund	Fund	Funds
Property Taxes	\$ 419,067.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,714.62	\$ -	\$ 450,781.91
State Shared Revenue	156,367.00	76,941.96	24,845.37	-	-	-	-	-	258,154.33
Charges for Services	53,118.18	-	-	37,737.03	11,750.00	-	-	4,853.95	107,459.16
Licenses & Permits	893.75	-	-	-	-	-	-	-	893.75
Interest Earnings	23,700.97	1,873.66	856.08	15,750.17	2,062.13	16,672.15	711.62	346.47	61,973.25
Loan Proceeds	-	-	-	700,000.00	-	-	-	-	700,000.00
Rental Income & Franchise Fees	136,282.62	-	-	-	-	-	1,150.00	-	137,432.62
Other Revenues	99,129.58	1,450.93	7,140.72	-	25.00	-	5,322.00	205.66	113,273.89
Total Revenues	888,559.39	80,266.55	32,842.17	753,487.20	13,837.13	16,672.15	38,898.24	5,406.08	1,829,968.91
Expenditures									
General Government	257,777.51	-	-	-	14,667.52	-	-	-	272,445.03
Public Safety	182,240.88	-	-	-	-	-	-	-	182,240.88
Publics Works	149,726.47	53,628.31	31,585.31	18,191.99	-	21,240.52	-	-	274,372.60
Recreation & Culture	-	-	-	-	-	-	27,644.08	9,746.83	37,390.91
Other Functions	35,350.04	-	-	-	-	-	-	-	35,350.04
Capital Outlay	-	11,116.91	-	683,394.81	-	-	-	21,685.02	716,196.74
Debt Service - Principal	6,000.00	-	-	-	-	-	-	-	6,000.00
Debt Service - Interest	2,612.50	-	-	12,213.05	-	-	-	-	14,825.55
Total Expenditures	633,707.40	64,745.22	31,585.31	713,799.85	14,667.52	21,240.52	27,644.08	31,431.85	1,538,821.75
Excess of Revenues Over									
(Under) Expenditures	254,851.99	15,521.33	1,256.86	39,687.35	(830.39)	(4,568.37)	11,254.16	(26,025.77)	291,147.16
Other Financing Sources (Uses)									
Operating Transfers In (Out)	(64,400.00)	(12,600.00)	12,600.00	45,000.00	3,913.80	-	-	30,000.00	14,513.80
Net Change in Fund Balances	190,451.99	2,921.33	13,856.86	84,687.35	3,083.41	(4,568.37)	11,254.16	3,974.23	305,660.96
Fund Balances - Beginning of Year	732,502.55	35,583.47	19,129.95	83,190.19	51,823.58	23,511.70	34,960.32	-	980,701.76
Fund Balances - End of Year	\$ 922,954.54	\$ 38,504.80	\$ 32,986.81	\$ 167,877.54	\$ 54,906.99	\$ 18,943.33	\$ 46,214.48	\$ 3,974.23	\$ 1,162,323.69

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund	\$	297,226.60
--	----	------------

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation		716,196.74
--	--	------------

Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)		6,000.00
---	--	----------

Realized Gain (Loss) on Sale of Capital Assets not accounted for in the Governmental Funds		(36,068.82)
---	--	-------------

Loan Proceeds are recognized as revenue in the Governmental Funds, but not in the Statement of Activities		(700,000.00)
--	--	--------------

Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds		<div style="border-top: 1px solid black; display: inline-block;">(59,756.70)</div>
--	--	--

Change in Net Assets of Governmental Activities	\$	<div style="border-top: 3px double black; display: inline-block;">223,597.82</div>
--	----	--

City of Brown City
Statement of Net Assets (Deficit)
Proprietary Funds
March 31, 2008

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service
Assets	Fund	Fund	Funds	Fund
				Equipment
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 674.94	\$ 1,227.14	\$ 1,902.08	\$ 163.74
Accounts Receivable	-	-	-	-
Due From Other Governmental Units	-	11,720.99	11,720.99	-
Due From Other Funds	157,021.46	178,681.97	335,703.43	23,194.70
	<u>157,696.40</u>	<u>191,630.10</u>	<u>349,326.50</u>	<u>23,358.44</u>
<u>Total Current Assets</u>	157,696.40	191,630.10	349,326.50	23,358.44
<u>Noncurrent Assets</u>				
Capital Assets not being Depreciated	20,000.00	5,856.74	25,856.74	-
Capital Assets being Depreciated	872,520.74	1,472,217.78	2,344,738.52	288,132.60
Less: Accumulated Depreciation	<u>(471,193.56)</u>	<u>(928,230.44)</u>	<u>(1,399,424.00)</u>	<u>(255,868.20)</u>
<u>Total Noncurrent Assets</u>	<u>421,327.18</u>	<u>549,844.08</u>	<u>971,171.26</u>	<u>32,264.40</u>
Total Assets	579,023.58	741,474.18	1,320,497.76	55,622.84
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	-	-	-	-
Current Portion of Long-Term Debt	<u>-</u>	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>
Total Current Liabilities	-	20,000.00	20,000.00	-
<u>Long-Term Liabilities</u>				
Bonds Payable	<u>-</u>	<u>60,000.00</u>	<u>60,000.00</u>	<u>-</u>
Total Liabilities	-	80,000.00	80,000.00	-
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	421,327.18	469,844.08	891,171.26	32,264.40
Unrestricted	<u>157,696.40</u>	<u>191,630.10</u>	<u>349,326.50</u>	<u>23,358.44</u>
<u>Total Net Assets</u>	<u>\$ 579,023.58</u>	<u>\$ 661,474.18</u>	<u>\$ 1,240,497.76</u>	<u>\$ 55,622.84</u>

City of Brown City
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
March 31, 2008

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<u>Operating Revenues</u>				
User Charges & Penalties	\$ 77,905.36	\$ 169,671.32	\$ 247,576.68	\$ -
Service Connection Charges	6,000.00	3,600.00	9,600.00	-
Equipment Rental	-	-	-	57,846.32
 <u>Total Operating Revenues</u>	 83,905.36	 173,271.32	 257,176.68	 57,846.32
 <u>Operating Expenses</u>				
Operation & Maintenance	58,992.80	91,741.45	150,734.25	29,416.36
General & Administration	14,990.73	22,166.70	37,157.43	19,453.52
Depreciation	21,508.28	39,824.30	61,332.58	17,809.12
 <u>Total Operating Expenses</u>	 95,491.81	 153,732.45	 249,224.26	 66,679.00
 <u>Operating Income (Loss)</u>	 (11,586.45)	 19,538.87	 7,952.42	 (8,832.68)
 <u>Nonoperating Revenues (Expenses)</u>				
Interest Earnings	7,176.21	7,165.85	14,342.06	398.32
Interest Expense	-	(3,350.00)	(3,350.00)	-
Capital Contribution	-	-	-	-
Transfers From (To) Other Funds	(10,000.00)	(600.00)	(10,600.00)	-
 Change in Net Assets	 (14,410.24)	 22,754.72	 8,344.48	 (8,434.36)
 <u>Net Assets - Beginning of Year</u>	 593,433.82	 638,719.46	 1,232,153.28	 64,057.20
 <u>Net Assets - End of Year</u>	 \$ 579,023.58	 \$ 661,474.18	 \$ 1,240,497.76	 \$ 55,622.84

City of Brown City
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2008

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service
	Fund	Fund	Funds	Fund
				Equipment
<u>Cash Flow From Operating Activities</u>				
Receipts from Customers	\$ 83,905.36	\$ 174,539.39	\$ 258,444.75	\$ 57,846.32
Payments for Operation & Maintenance	(61,688.79)	(91,741.45)	(153,430.24)	(29,416.36)
Payments for General & Administration	(14,990.73)	(22,166.70)	(37,157.43)	(19,453.52)
<u>Net Cash Provided by Operating Activity</u>	7,225.84	60,631.24	67,857.08	8,976.44
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating Transfers In (Out)	(10,000.00)	(600.00)	(10,600.00)	-
Received "Due From Other Funds"	10,125.17	(3,400.09)	6,725.08	(9,257.35)
<u>Net Cash Provided by Noncapital Financing Activities</u>	125.17	(4,000.09)	(3,874.92)	(9,257.35)
<u>Cash Flows from Capital & Related Financing Activities</u>				
Interest Expense	-	(3,350.00)	(3,350.00)	-
Receipt of Capital Contributions	-	-	-	-
Purchase of Capital Assets	(54,402.00)	(39,638.00)	(94,040.00)	-
Principal Payment on Bonds Payable	-	(20,000.00)	(20,000.00)	-
<u>Net Cash Provided by Capital & Related Financing Activities</u>	(54,402.00)	(62,988.00)	(117,390.00)	-
<u>Cash Flows From Investing Activities</u>				
Interest received on Investments	7,176.21	7,165.85	14,342.06	398.32
<u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	(39,874.78)	809.00	(39,065.78)	117.41
<u>Cash & Cash Equivalents - Beginning of Year</u>	40,549.72	418.14	40,967.86	46.33
<u>Cash & Cash Equivalents - End of Year</u>	\$ 674.94	\$ 1,227.14	\$ 1,902.08	\$ 163.74
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>				
Operating Income (Loss)	(11,586.45)	19,538.87	7,952.42	(8,832.68)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	21,508.28	39,824.30	61,332.58	17,809.12
Changes in Assets & Liabilities:				
Receivables	-	1,268.07	1,268.07	-
Accounts Payable	(2,695.99)	-	(2,695.99)	-
<u>Net Cash Provided by Operating Activities</u>	\$ 7,225.84	\$ 60,631.24	\$ 67,857.08	\$ 8,976.44

City of Brown City
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2008

<u>Assets</u>	<u>Other Trust Funds</u>	<u>Agency Funds</u>
Cash & Certificate of Deposit	\$ 101,553.07	\$ 1,470,434.19
Due From Other Funds	-	-
<u>Total Assets</u>	101,553.07	<u>\$ 1,470,434.19</u>
 <u>Liabilities</u>		
Due To Other Funds	917.81	\$ 1,470,434.19
Due To Other Governmental Agencies	-	-
<u>Total Liabilities</u>	917.81	<u>\$ 1,470,434.19</u>
 <u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	100,635.26	
Unreserved - Undesignated	-	
<u>Total Net Assets</u>	<u>\$ 100,635.26</u>	

The notes are an integral part of the statements.

City of Brown City
Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2008

	Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 3,913.80
Sale of Lots - Perpetual Care	<u>2,800.00</u>
<u>Total Additions</u>	<u>6,713.80</u>
<u>Deductions</u>	
Contribution To (From) Other Funds	<u>3,913.80</u>
<u>Total Deductions</u>	<u>3,913.80</u>
<u>Net Increase</u>	2,800.00
<u>Net Assets - Beginning of Year</u>	<u>97,835.26</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 100,635.26</u></u>

The notes are an integral part of the statements.

City of Brown City

Notes to the Financial Statements
For The Year Ended March 31, 2008

The accounting methods and procedures adopted by the City of Brown City, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Brown City was incorporated as a 4th Class City in 1907. The City has operated since 1973 under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Brown City (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Brown City, an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

Local Street Fund – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes.

Arsenic Abatement Fund - The fund collects funds to operate the arsenic plant.

Cemetery Operating Fund - This fund accounts for the lot sales, grave openings and general maintenance of the cemetery. Funding is provided primarily through grave openings and interest earnings from the Cemetery Perpetual Care Fund.

Downtown Development Authority Fund (a Special Revenue Fund type) – The Downtown Development Authority’s purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Storm Sewer Fund - This fund accounts for the general maintenance of the storm sewer system. Funding is provided primarily through usage fees and contributions from other funds.

Park Fund - This fund accounts for the general maintenance of the City Park. Funding is provided primarily through a millage and donations.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Equipment Fund (Internal Service Fund) – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency & Other Trust Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and other Compensated Absences - Vacation days are earned by employees at a rate from 5 to 20 days per year with unused days being paid at 50% of compensation rate or forfeited. Sick days are earned by employees at a rate of one day per month during the year. A maximum of 45 unused sick days may be accumulated by an employee. Days accumulated over 45 days are paid out annually at 75% of compensation rate. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

2. Stewardship, Compliance, and Accountability - Continued

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
Clerk	\$ 89,960	\$ 90,060	\$ 100
Board of Review	850	956	106
Treasurer	15,450	15,485	35
Street Lighting	24,500	25,126	626
<u>Arsenic Abatement Fund</u>			
Capital Outlay	20,500	683,395	662,895

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated two banks for the deposit of City funds. The investment policy adopted by the City is in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 93,301	\$ 2,066	\$ 1,571,987	\$ 1,667,354

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

3. Cash and Investments - Continued

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 1,667,354

The bank balance of the primary government's deposits is \$1,667,354, of which \$200,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$1,467,354 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

At year end, there were no investments reported in the basic financial statements.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance April 1, 2007	Additions	Disposals & Adjustments	Balance March 31, 2008
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 139,971	\$ -	\$ -	\$ 139,971
Capital Assets Being Depreciated:				
Infrastructure	946,343	716,797	-	1,663,140
Buildings & Improvements	528,526	-	88,392	440,134
Machinery & Equipment	390,612	-	-	390,612
Total Capital Assets being Depreciated	1,865,481	716,797	88,392	2,493,886
Accumulated Depreciation:				
Infrastructure	97,082	35,364	-	132,446
Buildings & Improvements	251,054	12,096	52,323	210,827
Machinery & Equipment	308,639	30,106	-	338,745
Total Accumulated Depreciation	656,775	77,566	52,323	682,018
Net Capital Assets	<u>\$ 1,348,677</u>	<u>\$ 639,231</u>	<u>\$ 36,069</u>	<u>\$ 1,951,839</u>
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 25,857	\$ -	\$ -	\$ 25,857
Capital Assets Being Depreciated:				
Sewage Treatment Plant	818,119	54,402	-	872,521
Water Distribution System	1,432,560	39,638	-	1,472,198
Total Capital Assets being Depreciated	2,250,679	94,040	-	2,344,719
Accumulated Depreciation:				
Sewage Treatment Plant	449,686	21,508	-	471,194
Water Distribution System	888,406	39,824	-	928,230
Total Accumulated Depreciation	1,338,092	61,332	-	1,399,424
Net Capital Assets	<u>\$ 938,444</u>	<u>\$ 32,708</u>	<u>\$ -</u>	<u>\$ 971,152</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 6,184
Public Safety	12,294
Public Works	53,829
Recreation & Culture	5,259
Total Governmental Activities	<u>\$ 77,566</u>
Business-type Activities:	
Sewer Fund	\$ 21,508
Water Fund	39,824
Total Business-type Activities	<u>\$ 61,332</u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

5. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due from other funds” or “Due to other funds” on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
Payroll Fund	\$ 1,081	General Fund	\$ 1,081
Investment Fund	133,072	Arsenic Abatement	133,072
Investment Fund	178,682	Water Fund	178,682
Investment Fund	856,675	General Fund	856,675
Investment Fund	23,195	Equipment Fund	23,195
Investment Fund	38,285	Major Street Fund	38,285
Investment Fund	32,929	Local Street Fund	32,929
Investment Fund	6,788	Cemetery Operating	6,788
Investment Fund	157,021	Sewer Fund	157,021
Investment Fund	38,878	Park Fund	38,878
Investment Fund	3,828	Storm Sewer Fund	3,828
Cemetery Perpetual Care Fund	918	Cemetery Fund	918
Total	<u><u>\$ 1,471,352</u></u>		<u><u>\$ 1,471,352</u></u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Transferred From</u>		<u>Transferred To</u>
Cemetery Perpetual Care Fund	\$ 3,914	Cemetery Operating Fund	\$ 3,914
General Fund	19,400	Water Fund	19,400
General Fund	20,000	Storm Sewer Fund	20,000
General Fund	25,000	Arsenic Abatement Fund	25,000
Major Streets Fund	12,600	Local Street Fund	12,600
Sewer Fund	10,000	Storm Sewer Fund	10,000
Water Fund	20,000	Arsenic Abatement Fund	20,000
Total	<u><u>\$ 110,914</u></u>		<u><u>\$ 110,914</u></u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

6. Long-Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Sanilac County General Obligation Bonds						
2007 Arsenic Abatement Project						
Amount of Issue - \$700,000		\$20,000 -				
Maturing through 2027	4.30%	\$55,000	\$ -	\$ 700,000	\$ 700,000	\$ 20,000
General Obligation Bonds & Contracts						
USDA Rural Development Note Payable						
Purchased Six Acres						
Amount of Issue - \$70,000		\$6,000 -				
Maturing through 2014	4.75%	\$8,000	\$ 58,000	\$ (6,000)	\$ 52,000	\$ 7,000
Total Governmental Activities			\$ 58,000	\$ 694,000	\$ 752,000	\$ 27,000
Business-type Activities						
General Obligation Bonds & Contracts						
Series 2002 Sanilac Co. Brown City Water Tower						
Rehabilitation Project Bonds						
Amount of Issue - \$200,000						
Maturing through 2012	3.35%	\$20,000	\$ 100,000	\$ (20,000)	\$ 80,000	\$ 20,000
Total Business-type Activities			\$ 100,000	\$ (20,000)	\$ 80,000	\$ 20,000
Total Primary Government			\$ 158,000	\$ 674,000	\$ 832,000	\$ 47,000

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities			Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 27,000	\$ 32,570	\$ 59,570	\$ 20,000	\$ 2,680	\$ 22,680
2010	27,000	31,378	58,378	20,000	2,010	22,010
2011	32,000	30,185	62,185	20,000	1,340	21,340
2012	32,000	28,777	60,777	20,000	670	20,670
2013	33,000	27,370	60,370	-	-	-
2014-2018	166,000	114,875	280,875	-	-	-
2019-2023	190,000	77,830	267,830	-	-	-
2024-2028	245,000	32,680	277,680	-	-	-
Total	\$ 752,000	\$ 375,665	\$ 1,127,665	\$ 80,000	\$ 6,700	\$ 86,700

7. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2008

8. Downtown Development Authority (DDA)

The Downtown Development Authority was established by the City of Brown City Commission in accordance with Act 197 of PA 1975. Its purpose will be to serve the best interest of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the cause of the deterioration, and to promote economic growth. This purpose is accomplished by the City entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the City agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the City is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the City, the bonds and related lease contracts have not been reflected in the financial statements of the City.

As of March 31, 2008, the City has issued revenue bonds, as described above. Following are details of the bond issues.

<u>Project</u>	<u>Date of Bond Closing</u>	<u>Bonds Issued</u>
Timeless Creations	October 18, 2007	\$ 39,494
Great Reflections	June 06,1992	77,283
Master Floor Covering	April 15, 2003	<u>31,747</u>
Total		<u><u>\$ 148,524</u></u>

Required Supplemental Information

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2008

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Taxes</u>				
Current Property Taxes	\$ 399,000.00	\$ 417,450.00	\$ 419,067.29	\$ 1,617.29
 <u>State Shared Revenues</u>	 157,520.00	 156,400.00	 156,367.00	 (33.00)
<u>Liquor Licenses</u>	1,350.00	900.00	893.75	(6.25)
<u>Charges for Services</u>				
Refuse Collection Fees	43,300.00	43,400.00	43,374.66	(25.34)
District Court & Public Hearing Fees	210.00	325.00	318.26	(6.74)
Collection Fees	7,440.00	11,685.00	9,425.26	(2,259.74)
 <u>Miscellaneous Revenues</u>				
Admin's Fees / Benefit Charges / Rentals	164,220.00	130,250.00	133,360.77	3,110.77
Franchise Fees	2,800.00	2,950.00	2,921.85	(28.15)
County Road Millage	44,000.00	48,300.00	48,258.24	(41.76)
Sale of Fixed Assets	-	42,300.00	42,231.20	(68.80)
Miscellaneous	214,250.00	11,340.00	8,640.14	(2,699.86)
 <u>Interest Earnings</u>	 20,500.00	 23,700.00	 23,700.97	 0.97
 <u>Total Revenues</u>	 <u>\$ 1,054,590.00</u>	 <u>\$ 889,000.00</u>	 <u>\$ 888,559.39</u>	 <u>\$ (440.61)</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>General Government</u>				
Council	\$ 28,630.00	\$ 28,780.00	\$ 25,444.79	\$ 3,335.21
Mayor	1,580.00	1,680.00	1,400.00	280.00
City Manager	76,570.00	79,290.00	79,130.98	159.02
Elections	3,450.00	5,180.00	3,881.34	1,298.66
Assessor	9,250.00	9,750.00	9,551.66	198.34
Clerk	92,520.00	89,960.00	90,060.03	(100.03)
Board of Review	700.00	850.00	955.91	(105.91)
Treasurer	13,900.00	15,450.00	15,485.31	(35.31)
City Hall & Grounds	46,650.00	47,750.00	31,867.49	15,882.51
<u>Total General Government</u>	<u>273,250.00</u>	<u>278,690.00</u>	<u>257,777.51</u>	<u>20,912.49</u>
<u>Public Safety</u>				
Police Department	159,600.00	163,650.00	152,085.32	11,564.68
Fire Protection	30,700.00	30,200.00	30,155.56	44.44
<u>Total Public Safety</u>	<u>190,300.00</u>	<u>193,850.00</u>	<u>182,240.88</u>	<u>11,609.12</u>
<u>Public Works</u>				
Department of Public Works	22,570.00	59,570.00	48,636.26	10,933.74
Parking Lot	1,400.00	3,300.00	2,239.46	1,060.54
Sidewalks	24,400.00	6,100.00	4,621.24	1,478.76
Drains at Large	1,800.00	2,100.00	1,054.79	1,045.21
Refuse Collection	40,010.00	47,380.00	45,013.77	2,366.23
Library	23,700.00	23,700.00	23,035.18	664.82
Street Lighting	24,500.00	24,500.00	25,125.77	(625.77)
<u>Total Public Works</u>	<u>138,380.00</u>	<u>166,650.00</u>	<u>149,726.47</u>	<u>16,923.53</u>
<u>Capital Outlay</u>	<u>12,600.00</u>	<u>11,100.00</u>	<u>-</u>	<u>11,100.00</u>
<u>Debt Service - Principal</u>	<u>6,000.00</u>	<u>6,000.00</u>	<u>6,000.00</u>	<u>-</u>
<u>Debt Service - Interest</u>	<u>3,200.00</u>	<u>3,200.00</u>	<u>2,612.50</u>	<u>587.50</u>
<u>Other Functions</u>				
Community Promotion	18,510.00	22,250.00	9,249.73	13,000.27
Insurance, Bonds, & Fringe Benefits	147,450.00	142,360.00	26,100.31	116,259.69
<u>Total Other Functions</u>	<u>165,960.00</u>	<u>164,610.00</u>	<u>35,350.04</u>	<u>129,259.96</u>
<u>Total Expenditures</u>	<u>789,690.00</u>	<u>824,100.00</u>	<u>633,707.40</u>	<u>190,392.60</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	264,900.00	64,900.00	254,851.99	189,951.99
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(344,900.00)	(64,900.00)	(64,400.00)	500.00
<u>Excess of Revenues & Other Sources Over</u>				
<u>(Under) Expenditures & Other Uses</u>	(80,000.00)	-	190,451.99	190,451.99
<u>Fund Balance - Beginning of Year</u>	<u>80,000.00</u>	<u>-</u>	<u>732,502.55</u>	<u>732,502.55</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,954.54</u>	<u>\$ 922,954.54</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 66,350.00	\$ 67,700.00	\$ 67,603.47	\$ (96.53)
State Trunk Line Maintenance	9,000.00	9,340.00	9,338.49	(1.51)
Interest Earnings	2,050.00	2,050.00	1,873.66	(176.34)
Miscellaneous	100,100.00	1,400.00	1,450.93	50.93
<u>Total Revenues</u>	<u>177,500.00</u>	<u>80,490.00</u>	<u>80,266.55</u>	<u>(223.45)</u>
<u>Expenditures</u>				
Routine Maintenance	18,730.00	12,560.00	7,590.26	4,969.74
Traffic Services	800.00	800.00	69.63	730.37
Snow & Ice Removal	8,500.00	18,500.00	14,123.48	4,376.52
Administration/Insurance	16,770.00	15,770.00	14,380.03	1,389.97
Trunk Line Maintenance	13,400.00	21,200.00	17,464.91	3,735.09
Capital Outlay	129,000.00	11,200.00	11,116.91	83.09
<u>Total Expenditures</u>	<u>187,200.00</u>	<u>80,030.00</u>	<u>64,745.22</u>	<u>15,284.78</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(9,700.00)</u>	<u>460.00</u>	<u>15,521.33</u>	<u>15,061.33</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(12,600.00)	(12,600.00)	(12,600.00)	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(22,300.00)</u>	<u>(12,140.00)</u>	<u>2,921.33</u>	<u>15,061.33</u>
<u>Fund Balance - Beginning of Year</u>	<u>22,300.00</u>	<u>12,140.00</u>	<u>35,583.47</u>	<u>23,443.47</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,504.80</u>	<u>\$ 38,504.80</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Local Streets Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 24,000.00	\$ 24,900.00	\$ 24,845.37	\$ (54.63)
Interest Earnings	1,800.00	1,000.00	856.08	(143.92)
Miscellaneous	104,300.00	7,110.00	7,140.72	30.72
<u>Total Revenues</u>	<u>130,100.00</u>	<u>33,010.00</u>	<u>32,842.17</u>	<u>(167.83)</u>
<u>Expenditures</u>				
Routine Maintenance	188,440.00	16,950.00	13,711.36	3,238.64
Traffic Services	800.00	600.00	365.87	234.13
Snow & Ice Removal	11,500.00	15,000.00	9,145.79	5,854.21
Administration/Insurance	21,960.00	13,060.00	8,362.29	4,697.71
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>222,700.00</u>	<u>45,610.00</u>	<u>31,585.31</u>	<u>14,024.69</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(92,600.00)</u>	<u>(12,600.00)</u>	<u>1,256.86</u>	<u>13,856.86</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	92,600.00	12,600.00	12,600.00	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>13,856.86</u>	<u>13,856.86</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>19,129.95</u>	<u>19,129.95</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,986.81</u>	<u>\$ 32,986.81</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Arsenic Abatement Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Arsenic Operating Fees	\$ 38,700.00	\$ 38,000.00	\$ 37,737.03	\$ (262.97)
Bond Proceeds	700,000.00	-	700,000.00	700,000.00
Interest Earnings	2,100.00	3,610.00	15,750.17	12,140.17
<u>Total Revenues</u>	740,800.00	41,610.00	753,487.20	711,877.20
<u>Expenditures</u>				
Wages / Taxes / Benefits	10,950.00	7,700.00	4,102.10	3,597.90
Administration Fees	9,020.00	9,020.00	8,057.39	962.61
Professional Fees	28,850.00	12,850.00	341.25	12,508.75
Repairs & Maintenance	15,380.00	23,190.00	5,401.25	17,788.75
Miscellaneous	1,100.00	1,100.00	290.00	810.00
Capital Outlay	720,500.00	20,500.00	683,394.81	(662,894.81)
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	12,250.00	12,213.05	36.95
<u>Total Expenditures</u>	785,800.00	86,610.00	713,799.85	(627,189.85)
<u>Excess of Revenues Over (Under) Expenditures</u>	(45,000.00)	(45,000.00)	39,687.35	84,687.35
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	45,000.00	45,000.00	45,000.00	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	-	-	84,687.35	84,687.35
<u>Fund Balance - Beginning of Year</u>	-	-	83,190.19	83,190.19
<u>Fund Balance - End of Year</u>	\$ -	\$ -	\$ 167,877.54	\$ 167,877.54

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Operating Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Lot Sales	\$ 3,500.00	\$ 3,500.00	\$ 2,800.00	\$ (700.00)
Grave Openings	13,000.00	13,000.00	8,950.00	(4,050.00)
Interest Earnings	2,400.00	2,400.00	2,062.13	(337.87)
Other Revenue	100.00	100.00	25.00	(75.00)
<u>Total Revenues</u>	<u>19,000.00</u>	<u>19,000.00</u>	<u>13,837.13</u>	<u>(5,162.87)</u>
<u>Expenditures</u>				
Contractual Services	3,800.00	3,800.00	3,600.00	200.00
Administration Fees	1,190.00	1,190.00	699.00	491.00
Repairs & Maintenance	2,800.00	2,800.00	2,764.02	35.98
Operating Supplies	750.00	750.00	440.30	309.70
Equipment Rental	500.00	500.00	-	500.00
Grave Openings	8,200.00	8,200.00	7,114.20	1,085.80
Miscellaneous	5,960.00	5,960.00	50.00	5,910.00
<u>Total Expenditures</u>	<u>23,200.00</u>	<u>23,200.00</u>	<u>14,667.52</u>	<u>8,532.48</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(4,200.00)</u>	<u>(4,200.00)</u>	<u>(830.39)</u>	<u>3,369.61</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	4,200.00	4,200.00	3,913.80	(286.20)
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>3,083.41</u>	<u>3,083.41</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>51,823.58</u>	<u>51,823.58</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,906.99</u>	<u>\$ 54,906.99</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority
For The Year Ended March 31, 2008

	Original	Amended		Variance with
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Amended</u>
Other Revenues	\$ 17,450.00	\$ 21,590.00	\$ 16,672.15	\$ (4,917.85)
<u>Total Revenues</u>	<u>17,450.00</u>	<u>21,590.00</u>	<u>16,672.15</u>	<u>(4,917.85)</u>
<u>Expenditures</u>	<u>17,450.00</u>	<u>21,590.00</u>	<u>21,240.52</u>	<u>349.48</u>
<u>Total Expenditures</u>	<u>17,450.00</u>	<u>21,590.00</u>	<u>21,240.52</u>	<u>349.48</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	-	-	(4,568.37)	(4,568.37)
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources</u>				
<u>Over Expenditures & Other Uses</u>	-	-	(4,568.37)	(4,568.37)
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>23,511.70</u>	<u>23,511.70</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,943.33</u>	<u>\$ 18,943.33</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Park Fund
For The Year Ended March 31, 2008

	Original	Amended		Variance with
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Amended</u>
Property Taxes	\$ 30,500.00	\$ 31,750.00	\$ 31,714.62	\$ (35.38)
Contributions & Donations	5,000.00	5,300.00	5,297.00	(3.00)
Pavilion Rental	550.00	1,150.00	1,150.00	-
Miscellaneous	800.00	30.00	25.00	(5.00)
Interest Earnings	600.00	720.00	711.62	(8.38)
<u>Total Revenues</u>	<u>37,450.00</u>	<u>38,950.00</u>	<u>38,898.24</u>	<u>(51.76)</u>
<u>Expenditures</u>				
Salaries & Wages	19,000.00	18,500.00	17,902.75	597.25
FICA Expense	400.00	250.00	172.72	77.28
Operating Supplies	3,900.00	3,850.00	3,078.46	771.54
Utilities	1,400.00	1,400.00	845.68	554.32
Repairs & Maintenance	5,000.00	4,000.00	693.43	3,306.57
Equipment Rent	500.00	3,800.00	3,555.64	244.36
Insurance	1,220.00	1,225.00	1,223.00	2.00
Miscellaneous	6,030.00	5,925.00	172.40	5,752.60
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>37,450.00</u>	<u>38,950.00</u>	<u>27,644.08</u>	<u>11,305.92</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	-	-	11,254.16	11,254.16
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources</u>				
<u>Over Expenditures & Other Uses</u>	-	-	11,254.16	11,254.16
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>34,960.32</u>	<u>34,960.32</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,214.48</u>	<u>\$ 46,214.48</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Storm Sewer Fund
For The Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Operating Fees	\$ 4,900.00	\$ 4,900.00	\$ 4,853.95	\$ (46.05)
Interest Earnings	-	500.00	346.47	(153.53)
Other Revenues	-	300.00	205.66	(94.34)
<u>Total Revenues</u>	<u>4,900.00</u>	<u>5,700.00</u>	<u>5,406.08</u>	<u>(293.92)</u>
<u>Expenditures</u>				
Wages / Taxes / Benefits	2,000.00	4,360.00	3,877.57	482.43
Repairs & Maintenance	2,900.00	4,740.00	1,696.74	3,043.26
Equipment Rental	-	4,600.00	4,172.52	427.48
Capital Outlay	20,000.00	22,000.00	21,685.02	314.98
<u>Total Expenditures</u>	<u>24,900.00</u>	<u>35,700.00</u>	<u>31,431.85</u>	<u>4,268.15</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(20,000.00)</u>	<u>(30,000.00)</u>	<u>(26,025.77)</u>	<u>3,974.23</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	20,000.00	30,000.00	30,000.00	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>3,974.23</u>	<u>3,974.23</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,974.23</u>	<u>\$ 3,974.23</u>

City of Brown City
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
March 31, 2008

	Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care			Payroll	Investment	
<u>Assets</u>	Expendable Trust	Nonexpendable Trust	Totals	Fund	Fund	Totals
Cash - Savings & Certificates	\$ -	\$ 101,553.07	\$ 101,553.07	\$ 1,081.10	\$ 1,469,353.09	\$ 1,470,434.19
Due From Other Funds	-	-	-	-	-	-
Total Assets	\$ -	\$ 101,553.07	\$ 101,553.07	\$ 1,081.10	\$ 1,469,353.09	\$ 1,470,434.19
<u>Liabilities & Net Assets</u>						
<u>Liabilities</u>						
Due To:						
General	\$ -	\$ -	\$ -	\$ 1,081.10	\$ 856,675.03	\$ 857,756.13
Major Streets	-	-	-	-	38,285.48	38,285.48
Local Streets	-	-	-	-	32,929.24	32,929.24
Cemetery Operating	-	917.81	917.81	-	6,787.70	6,787.70
Storm Sewer	-	-	-	-	3,828.29	3,828.29
Parks	-	-	-	-	38,877.66	38,877.66
Equipment	-	-	-	-	23,194.70	23,194.70
Water	-	-	-	-	178,681.97	178,681.97
Sewage Disposal System	-	-	-	-	157,021.46	157,021.46
Arsenic Abatement	-	-	-	-	133,071.56	133,071.56
Due To Other Governmental Units	-	-	-	-	-	-
Total Liabilities	-	917.81	917.81	\$ 1,081.10	\$ 1,469,353.09	\$ 1,470,434.19
<u>Net Assets</u>						
Held in Trust for Cemetery Perpetual Care	-	100,635.26	100,635.26			
Unreserved - Undesignated	-	-	-			
Total Net Assets	-	100,635.26	100,635.26			
Total Liabilities & Net Assets	\$ -	\$ 101,553.07	\$ 101,553.07			

City of Brown City
Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2008

	Other Trust Funds		
	Cemetery Perpetual Care		
	Expendable	Nonexpendable	
	Trust	Trust	Totals
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 3,913.80	\$ -	\$ 3,913.80
Sale of Lots - Perpetual Care	-	2,800.00	2,800.00
<u>Total Additions</u>	<u>3,913.80</u>	<u>2,800.00</u>	<u>6,713.80</u>
<u>Deductions</u>			
Contribution To (From) Other Funds	<u>3,913.80</u>	<u>-</u>	<u>3,913.80</u>
<u>Total Deductions</u>	<u>3,913.80</u>	<u>-</u>	<u>3,913.80</u>
<u>Net Increase</u>	-	2,800.00	2,800.00
<u>Net Assets - Beginning of Year</u>	<u>-</u>	<u>97,835.26</u>	<u>97,835.26</u>
<u>Net Assets - End of Year</u>	<u>\$ -</u>	<u>\$ 100,635.26</u>	<u>\$ 100,635.26</u>

Other Supplemental Information

City of Brown City
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Sanilac County 2007 General Obligation Bonds
Used to Fund the Arsenic Abatement Project

Dated: June 5, 2007
Original Issue: \$700,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2008	2007	
4.30%	5/1/2008	\$ -	\$ -	\$ 15,050
4.30%	11/1/2008	20,000	-	15,050
4.30%	5/1/2009	-	-	14,620
4.30%	11/1/2009	20,000	-	14,620
4.30%	5/1/2010	-	-	14,190
4.30%	11/1/2010	25,000	-	14,190
4.30%	5/1/2011	-	-	13,653
4.30%	11/1/2011	25,000	-	13,652
4.30%	5/1/2012	-	-	13,115
4.30%	11/1/2012	25,000	-	13,115
4.30%	5/1/2013	-	-	12,578
4.30%	11/1/2013	25,000	-	12,577
4.30%	5/1/2014	-	-	12,040
4.30%	11/1/2014	30,000	-	12,040
4.30%	5/1/2015	-	-	11,395
4.30%	11/1/2015	30,000	-	11,395
4.30%	5/1/2016	-	-	10,750
4.30%	11/1/2016	30,000	-	10,750
4.30%	5/1/2017	-	-	10,105
4.30%	11/1/2017	35,000	-	10,105
4.30%	5/1/2018	-	-	9,353
4.30%	11/1/2018	35,000	-	9,352
4.30%	5/1/2019	-	-	8,600
4.30%	11/1/2019	35,000	-	8,600
4.30%	5/1/2020	-	-	7,848
4.30%	11/1/2020	40,000	-	7,847
4.30%	5/1/2021	-	-	6,988
4.30%	11/1/2021	40,000	-	6,987
4.30%	5/1/2022	-	-	6,128
4.30%	11/1/2022	40,000	-	6,127
4.30%	5/1/2023	-	-	5,268
4.30%	11/1/2023	45,000	-	5,267
4.30%	5/1/2024	-	-	4,300
4.30%	11/1/2024	45,000	-	4,300
4.30%	5/1/2025	-	-	3,333
4.30%	11/1/2025	50,000	-	3,332
4.30%	5/1/2026	-	-	2,258
4.30%	11/1/2026	50,000	-	2,257
4.30%	5/1/2027	-	-	1,183
4.30%	11/1/2027	55,000	-	1,182
<u>Total Bonds Payable</u>		\$ 700,000	\$ -	\$ 365,500

City of Brown City
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

**Series 2002 Sanilac Co., Brown City Water Tower
Rehabilitation Project Bonds**

Dated: March 1, 2003
Original Issue: \$200,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2008</u>	<u>2007</u>	
3.35%	3/1/2008	\$ -	\$ 20,000	\$ -
3.35%	3/1/2009	20,000	20,000	2,680
3.35%	3/1/2010	20,000	20,000	2,010
3.35%	3/1/2011	20,000	20,000	1,340
3.35%	3/1/2012	20,000	20,000	670
<u>Total Revenue Bonds</u>		<u>\$ 80,000</u>	<u>\$ 100,000</u>	<u>\$ 6,700</u>

**U.S. Department of Agriculture Rural Development
Used to Purchase the East Six Acres of Industrial Park**

Dated: September 30, 2004
Original Issue: \$70,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2008</u>	<u>2007</u>	
4.75%	5/1/2007	\$ -	\$ 6,000	\$ -
4.75%	5/1/2008	7,000	7,000	2,470
4.75%	5/1/2009	7,000	7,000	2,138
4.75%	5/1/2010	7,000	7,000	1,805
4.75%	5/1/2011	7,000	7,000	1,472
4.75%	5/1/2012	8,000	8,000	1,140
4.75%	5/1/2013	8,000	8,000	760
4.75%	5/1/2014	8,000	8,000	380
<u>Total Note Payable</u>		<u>\$ 52,000</u>	<u>\$ 58,000</u>	<u>\$ 10,165</u>
<u>Total Bonds & Notes Payable</u>		<u>\$ 832,000</u>	<u>\$ 158,000</u>	<u>\$ 382,365</u>

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

June 4, 2008

City of Brown City
4205 Main Street
Brown City, Michigan 48416

To Members of the Council:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brown City for the year ended March 31, 2008, and have issued my report thereon dated June 4, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated September 25, 2007, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated June 4, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing my audit of the financial statements, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the City's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

Preparation of Financial Statements - Management prepares internal financial information to assess operations and the financial position of the City on an ongoing basis. Although the internal financial information is sufficient to operate the City, it is not presented in accordance with generally accepted accounting principles. The City contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

Accrual Adjustments – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

Segregation of Duties - The relative size of the City limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The City has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the City Council, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant